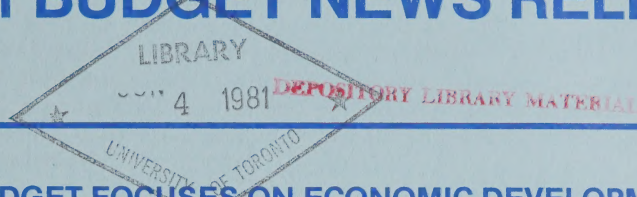




1981 BUDGET NEWS RELEASE



ONTARIO BUDGET FOCUSES ON ECONOMIC DEVELOPMENT AND SERVICES TO PEOPLE, MAINTAINS COMMITMENT TO BALANCE THE BUDGET AND ANNOUNCES ADDITIONAL \$603 MILLION REVENUE MEASURES IN 1981-82

In his Budget of May 19, 1981, Ontario Treasurer Frank Miller reaffirms Ontario's commitment to economic growth and high service levels for its people, while achieving further reduction in the size of Government.

For the coming year, Mr. Miller projects an improvement in economic performance for Ontario. The Treasurer estimates a 2.4 per cent increase in real growth for 1981, compared to a slight decline in 1980, and the creation of over 100,000 jobs this year.

Treasurer Miller says the fiscal plan contained in the Budget is both appropriate and reasonable. "Expenditure growth... recognizes the implications of inflation on costs, but ensures that provincial spending does not fuel inflation", (p. 11), the Treasurer states, while revenue actions "are sustainable in light of the expected economic performance and will allow Ontario to remain competitive on the tax front." (p. 21-22)

Strategy For Growth, Jobs And Price Stability

Mr. Miller's Budget emphasizes the Government's long-run strategy to provide economic growth, reduce inflation and create jobs. The major elements of this strategy, as outlined by the Treasurer, are:

- encouraging investment;
- encouraging the use of indigenous energy sources;
- facilitating labour mobility and training;
- controlling the size of government.

Expressing concern about the immediate inflation outlook, Mr. Miller stresses the need for a national approach to what is essentially a world-wide phenomenon. With respect to Ontario, he states, "We are pursuing new directions in investment and entrepreneurship so that the economy remains healthy and continues to provide the stability and prosperity characteristic of Ontario." (p. 2)

Mr. Miller describes several key policies and initiatives on this front. The Treasurer briefly reviews the impact of the retail sales tax cuts implemented in November, noting that there are encouraging signals that these timely and appropriate actions are having beneficial impact on manufacturing, distribution and retailing. "We can anticipate that the coming weeks will see further substantial gains... before the expiry date of June 30, 1981," (p. 4), said Mr. Miller. The Treasurer also announces an extension, to September 30, of the delivery date for new residential furniture purchased up to June 30.

The Treasurer advises that the Board of Industrial Leadership and Development has been working to fulfill the task of coordinating and implementing Ontario's economic development strategy. "The response to the BILD strategy has been tremendous...



Ontario's initiatives have touched responsive chords in agriculture, mining, manufacturing, recreation—in fact, in all sectors." (p. 5), states Mr. Miller. BILD is focusing on six priority areas, and the Treasurer outlines in his Budget many of the projects BILD is pursuing in the areas of electricity, transportation, resources, technology, people, and community.

Mr. Miller also takes steps to further encourage small business via certain improvements to the Small Business Development Corporation program. The fostering of small business development, together with the maintenance of an attractive investment climate, are key elements in the Province's strategy for economic growth and reduced inflation and this is reflected in the Budget. (p. 7-8)

In the Treasurer's view, the 450,000 new jobs in the four-year period ending this year, and significant business investment activity, indicate, "the Government's economic programs have increased investment and created jobs." (p. 2) "We are . . . well positioned to take advantage of the economic opportunities of the 1980s", (p. 2) Mr. Miller states.

Quality Services for People

The Budget announces that the Government has set spending at \$19.4 billion for 1981-82, an increase of 12.2 per cent. This spending level, Mr. Miller says, "continues to reflect the Government's commitment to providing a high level of services without disturbing the balance between private and public sector growth." (p. 9)

The Province has allocated almost \$5.6 billion to health care, a substantial 13.4 per cent boost. This increases Health spending as a share of total budget to 28.7 per cent from 27.2 per cent 6 years ago. Funding for major programs for the handicapped will increase by almost 19 per cent in this the International Year of Disabled Persons, and the Government will continue its focus on job development programs. In Treasurer Miller's view, "the 1981-82 expenditure plan . . . is both appropriate and realistic . . . Allocations reflect the shifting priorities and meet the needs of our society." (p. 10-11)

Federal-Provincial Matters

The Treasurer takes the federal government to task on a number of fronts.

Mr. Miller expresses dissatisfaction with the extent of cooperation received from Ottawa by BILD. "We are not satisfied that Ottawa is moving quickly enough on the economic problems ahead of us. Their action is needed urgently." (p. 5), states Mr. Miller.

The Budget criticizes federal inaction on inflation and interest rates. The inflation rate fight can be won, believes Mr. Miller, but it requires effective, focused federal-provincial action. Ontario is making considerable effort to minimize inflation, but success needs appropriate action by Ottawa. Mr. Miller says, "We need national policies to foster productivity improvements, to promote exports, to replace imports, to encourage energy substitution. We need a federal government with a controlled spending plan and a reasonable financial balance. We need to ensure that the uneven growth trends across Canada are not reinforced at the expense of the relatively slower growing provinces. And, perhaps above all, we need to ensure that as individuals, each and every one of us does not allow inflation to become a way of life." (p. 3)

Federal intentions to reduce transfers to the provinces are met head-on. ". . . for a number of valid reasons, we believe large-scale retrenchment in fiscal transfers to the provinces is both unjustified and unwise." (p. 13), the Treasurer says. The need to revamp equalization is emphasized, as well as the need to solve the problem of regional fiscal disparities. Treasurer Miller says, "Budget Paper B on the renegotiation of the federal-provincial fiscal arrangements . . . together with last year's Budget Paper on equalization and fiscal disparities, presents a comprehensive Ontario perspective on this important subject." (p. 14)



The critical matter of pension reform and the roles of Ottawa and Ontario are addressed by Mr. Miller. The Treasurer outlines the six guiding principles which will govern the direction of Ontario's reform. (p. 15)

Fiscal Plan

The fiscal plan brought down by the Treasurer continues the Government's strategy of keeping expenditure growth below the rate of the economy, the sixth year in a row this has been achieved. For 1981-82, Provincial spending will represent 15.5 per cent of Gross Provincial Product, down from a high of 17.5 per cent in 1975. (p. 16) Without tax changes, the deficit for this fiscal year would have been an unacceptable \$1.6 billion. Consequently, a number of measures to increase revenue are proposed.

- Personal Income Tax will be increased by 4 points to 48 per cent of federal basic tax, beginning July 1, 1982. This means that the effective PIT rate will be 46 per cent this year, rising to 48 per cent for 1982. The Ontario tax reduction program is enriched to smooth the sudden jump in tax that certain low-income people currently face.
- OHIP premiums will be increased from \$20 per month to \$23 per month for single subscribers, and from \$40 per month to \$46 per month for families. This will be effective for payments in respect of the benefit month of October. Enriched premium assistance will shelter lower income Ontarians.
- Gasoline taxes will be increased by about 1 cent per litre on average, and converted to a percentage of price basis, or ad valorem, from the current unit basis. Diesel taxes will be similarly converted, incorporating an increase of 1.1 cents per litre. Changes are effective May 20, 1981.
- Taxes on cigarettes and cut tobacco will be converted to a percentage of price basis. The new rates will reflect an increase in tax as well, with the increase for cigarettes about 5 cents per pack of 20. Changes are effective May 20, 1981.
- Mark-ups on beverage alcohol will also be increased. Domestic and imported spirits will face a 5 point mark-up increase, effective July 20, 1981. As of June 1, 1981, the tax on domestic beer will be increased by about 45 cents per case, and tax will be expressed as a percentage of price. Canadian Brandy will receive a mark-up reduction from 75 per cent to 58 per cent, as of July 20, 1981.
- Other minor changes to raise revenues, improve the tax system and ensure uniformity in taxes are also proposed.

Mr. Miller also proposes a revamping of the property tax as it applies to farms, with the intent of treating farm residences like other residences, and exempting bona fide farmland from tax. The target year for this policy is 1982.

In total, the revenue measures will yield an additional \$603 million in 1981-82, resulting in a deficit of \$997 million this fiscal year. This deficit level can be financed from non-public borrowing sources, while again allowing Ontario Hydro access to \$500 million in CPP funds.

The Treasurer states, "Our commitment to balance the budget remains firm, but progress towards this goal must recognize the needs of our economy and of our people." "Over the medium term", he says, "I plan for a steady reduction in the level of net cash requirements, and the modest deficit levels projected keep us well within range of our objective." (p. 16)

In closing, Mr. Miller announces that he is continuing to examine options for a home heating credit for lower income Ontarians. "In the absence of federal action, I will provide heating cost assistance for residents of this Province." (p. 22), he states. "Home heating cost increases over the winter of 1981-82 would be the initial target of the program." (p. 22), according to the Treasurer.



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